

IR Priorities for 2016



Insights from the Rivel Intelligence Council
(IR Best Practices Program)

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November, 2015

Research Topics



Activism

Annual Shareholder Meetings

Annual Reports

Boards of Directors

Budget

Capital Deployment

Compensation

Corporate Governance

Credit Agencies

Crisis Communications

Disclosure/Transparency

Earnings Calls

Earnings Reporting

Financial Filings

Financial Media

Guidance

Hedge Funds

Investment Drivers

Investor Days

IR Responsibilities

IR Tools/Vendors

Management Access

Measuring IR Effectiveness

PowerPoint Presentations

Proxy Access

Proxy Solicitation

Roadshows

Sell-Side

Social Media

Social Responsibility

Staffing

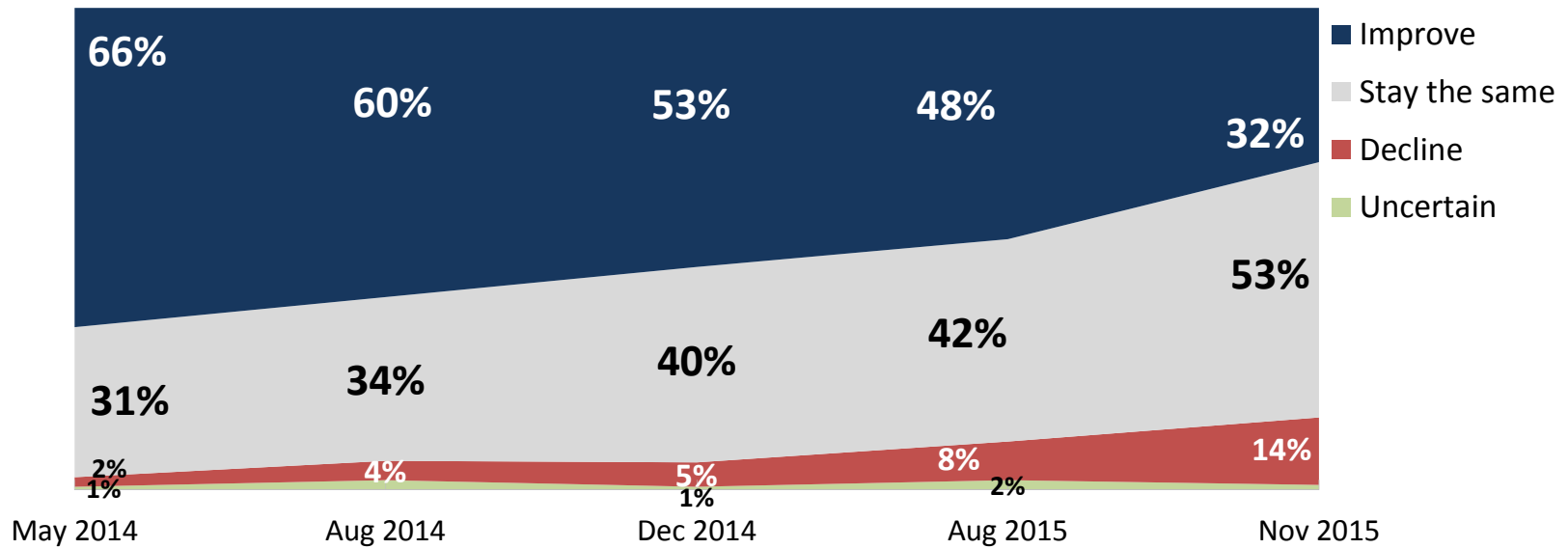
Stock-Related Issues

Targeting

Technology in IR

Expectations for Economic Conditions over Next Six Months

(Among Total Global Buy-side)

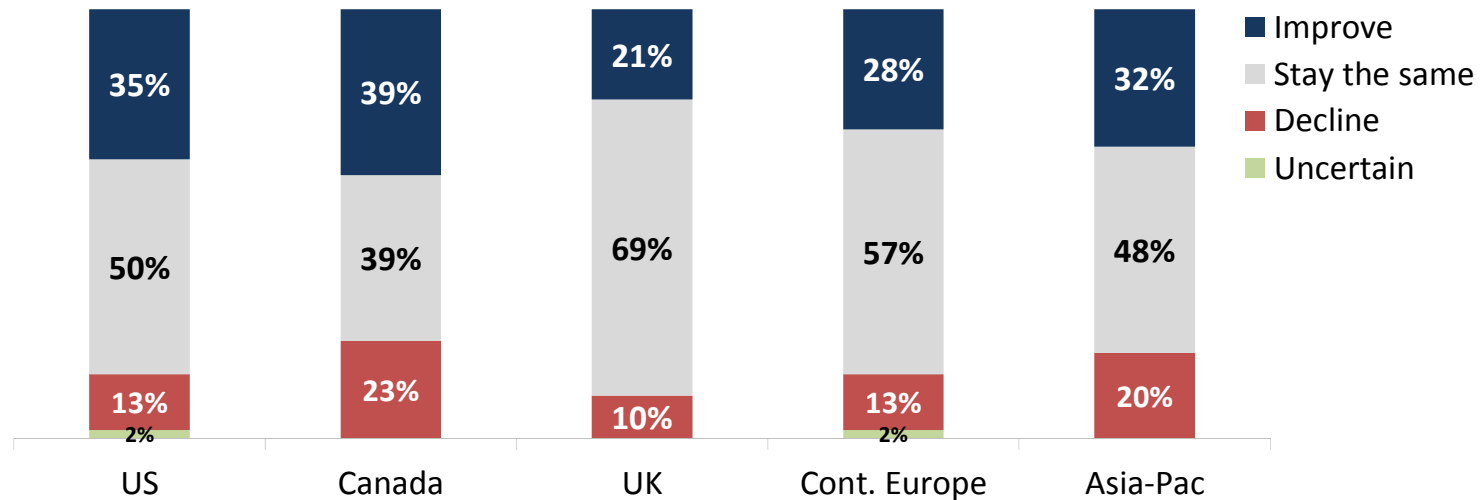


Global Buy-side Trends



Expectations for Economic Conditions over Next Six Months - by Region

(November 2015 - Among Total Buy-side Surveyed in Each Region)

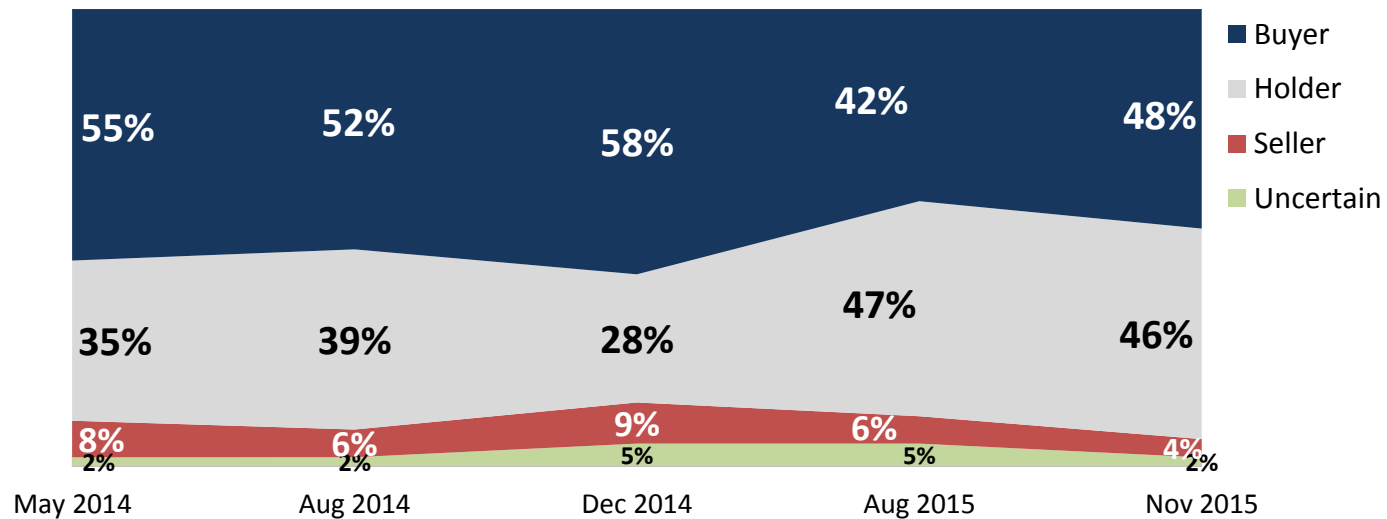


Global Buy-side Trends



Expected Position Relative to Equity Markets over Next Six Months

(Among Total Global Buy-side)

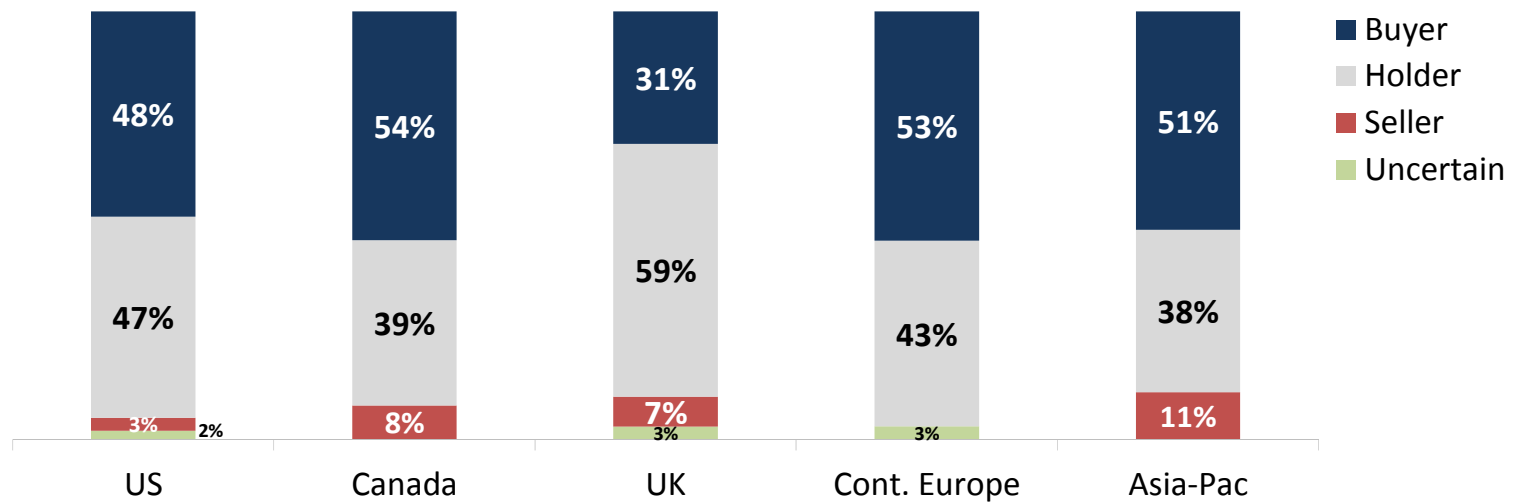


Global Buy-side Trends



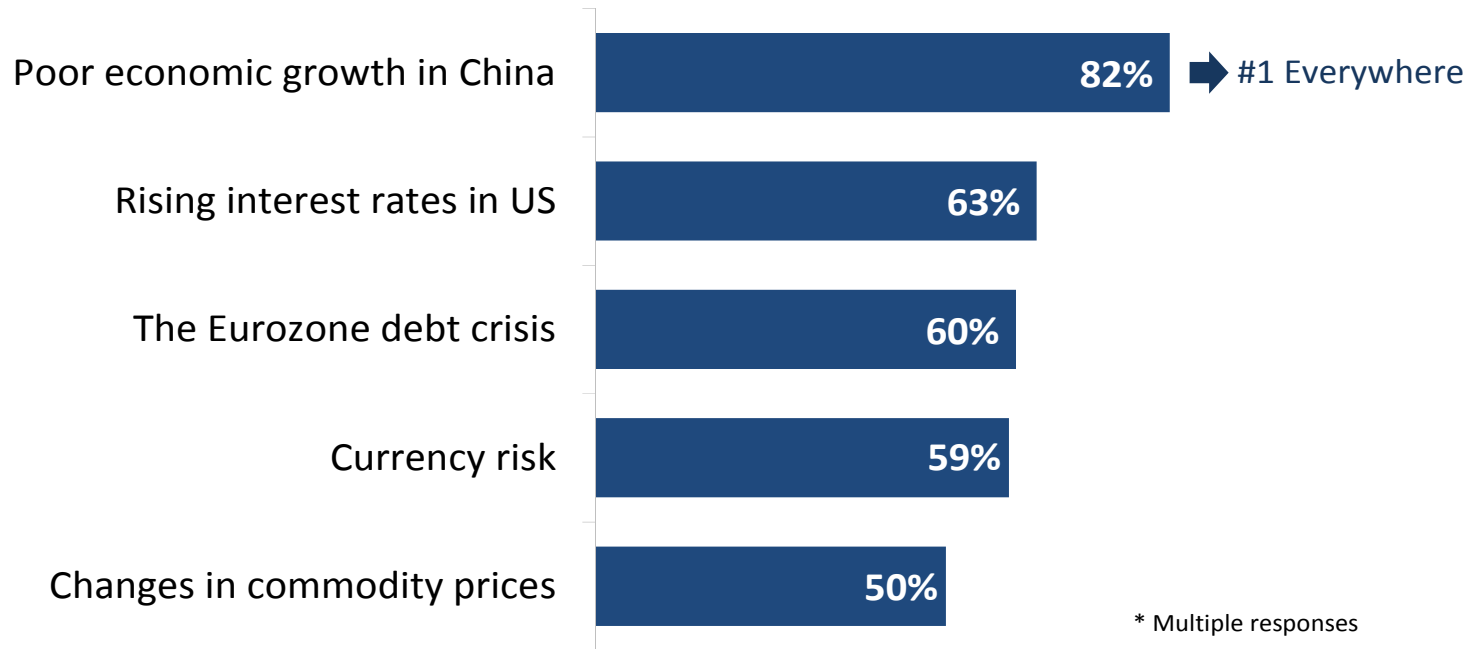
Expected Position Relative to Equity Markets over Next Six Months - By Region

(November 2015 - Among Total Buy-side Surveyed in Each Region)



Top 5 Biggest Risks to Appeal of Equity Investments* (Aided)

(Total Global Buy-side, August 2015, n=351)



* Multiple responses

Identify Investors' Focus



Most Appealing Sectors over Next Year or so – by region

- US, UK and Asia-Pacific are focusing on technology and consumer
- Canada looks first to financials and then energy

Top 5 by region (August 2015)

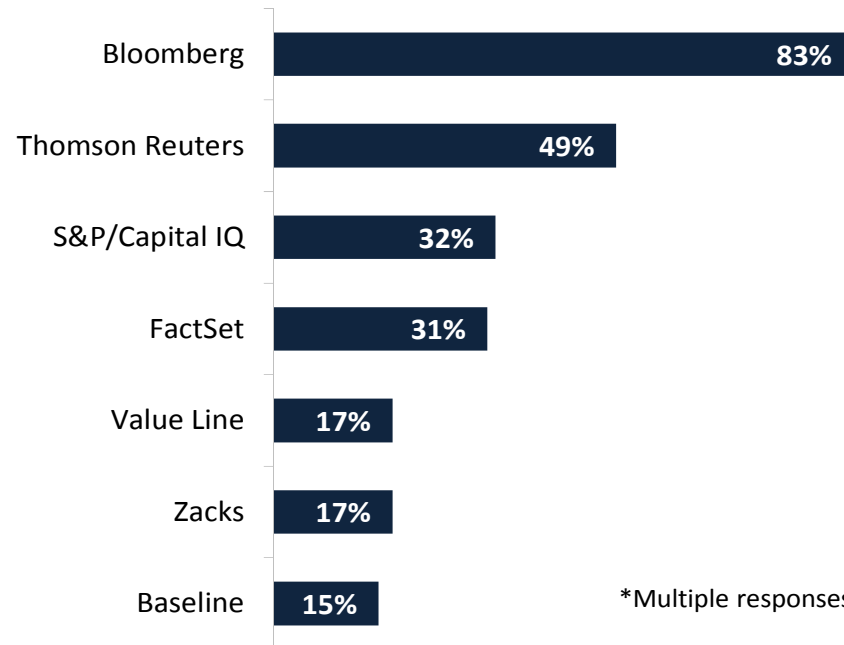
<i>US</i>	<i>Canada</i>	<i>UK</i>	<i>Cont. Europe</i>	<i>Asia-Pacific</i>
Technology (41%)	Financials (60%)	Technology (45%)	Industrials (39%)	Technology (52%)
Consumer (40%)	Energy (40%)	Consumer (38%)	Technology (37%)	Consumer (39%)
Healthcare (35%)	Technology (40%)	Healthcare (35%)	Financials (36%)	Healthcare (34%)
Financials (35%)	Healthcare (40%)	Financials (28%)	Consumer (35%)	Financials (33%)
Industrials (26%)	Industrials (30%)	Energy (28%)	Healthcare (28%)	Energy (23%)

Know where Investors Look for Data



External Databases/Resources Used When Reviewing Stocks And Making Investment Decisions* (Aided)

(Total Global Buy-side December 2014, n=354)



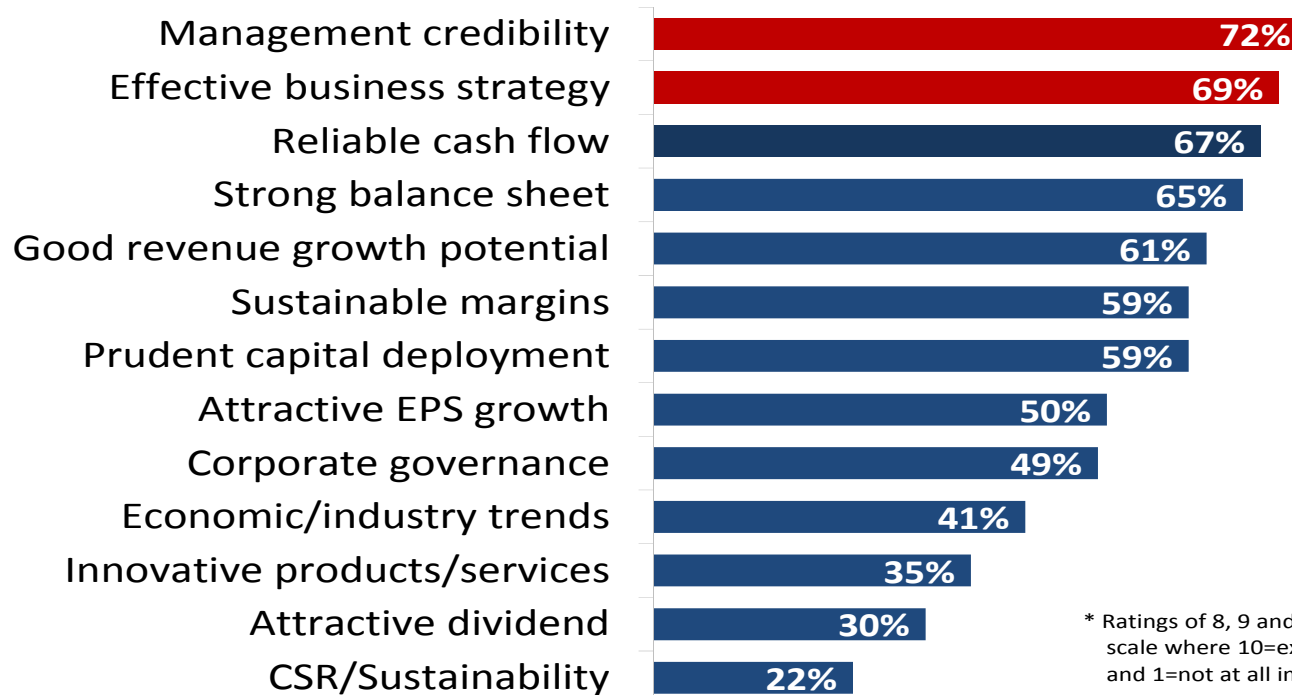
*Multiple responses

Messaging Priorities



Most Important Investment Drivers (Aided) *

(Total Global Buy-side, February 2015, n=352)



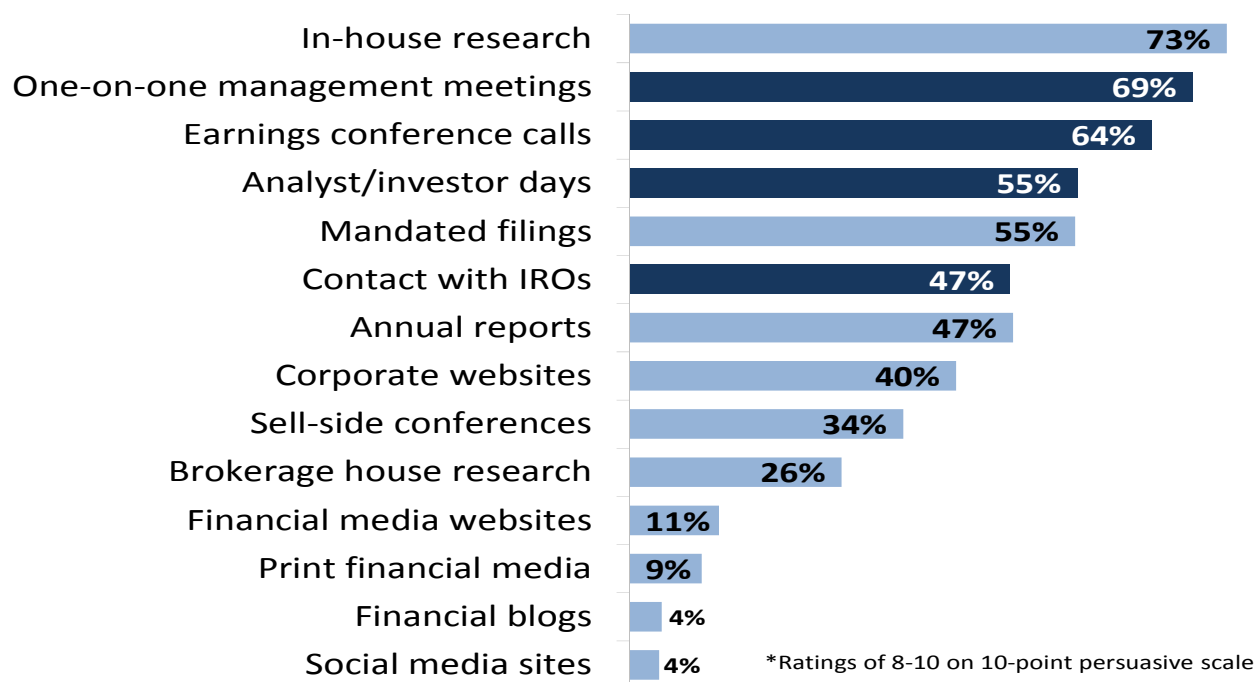
* Ratings of 8, 9 and 10 on a 10-point scale where 10=extremely important and 1=not at all important.

Know Investors' Preferred Sources of "Insight"



Info Resources "Very Persuasive" in Making Investment Decisions*

(Total Global Buy-side, November 2013, n=333)



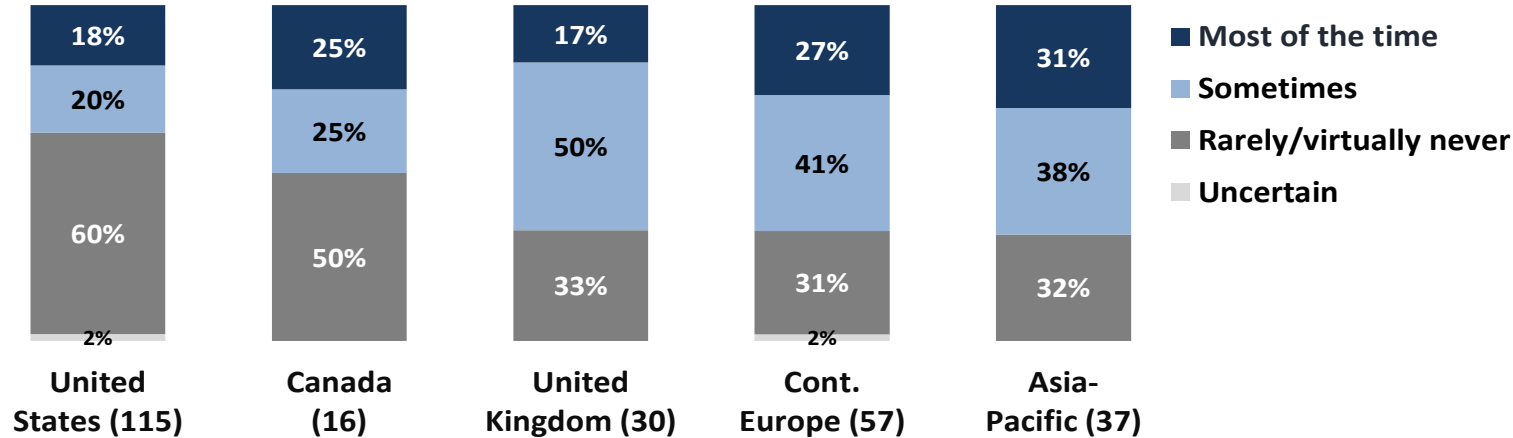
Notice the Buy-side's Decision Process



- Within the buy-side firm, stock decisions typically reflect a group think
- More often the case in North America elsewhere

How often do you buy/sell stocks on your own without involving anyone else at your company?

(Portfolio Managers, December 2014)



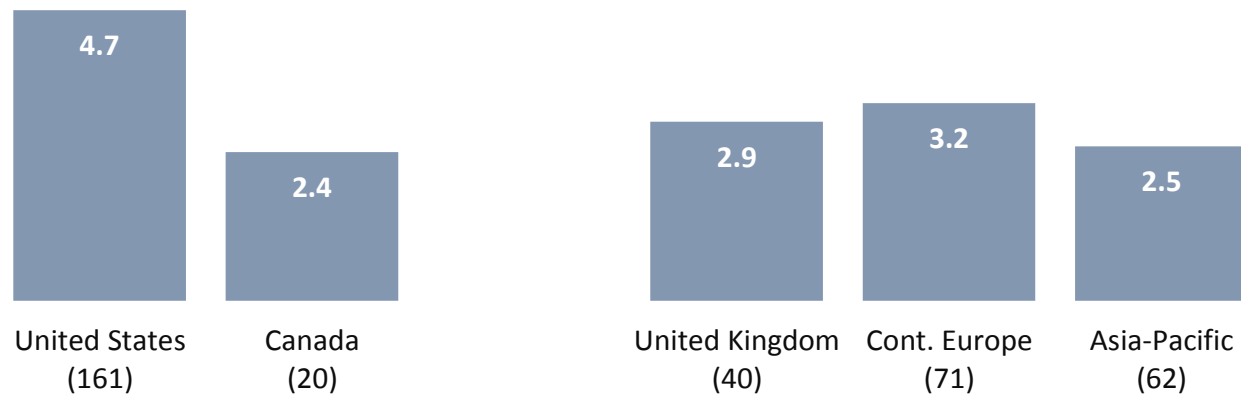
Notice the Buy-side's Decision Process



- Accordingly, a series of internal meetings usually precedes an investment
- Especially in the United States

Average Number of Meetings Held about a Stock Before Decision Is Made to Include It in a Portfolio - *by Region*

(December 2014)



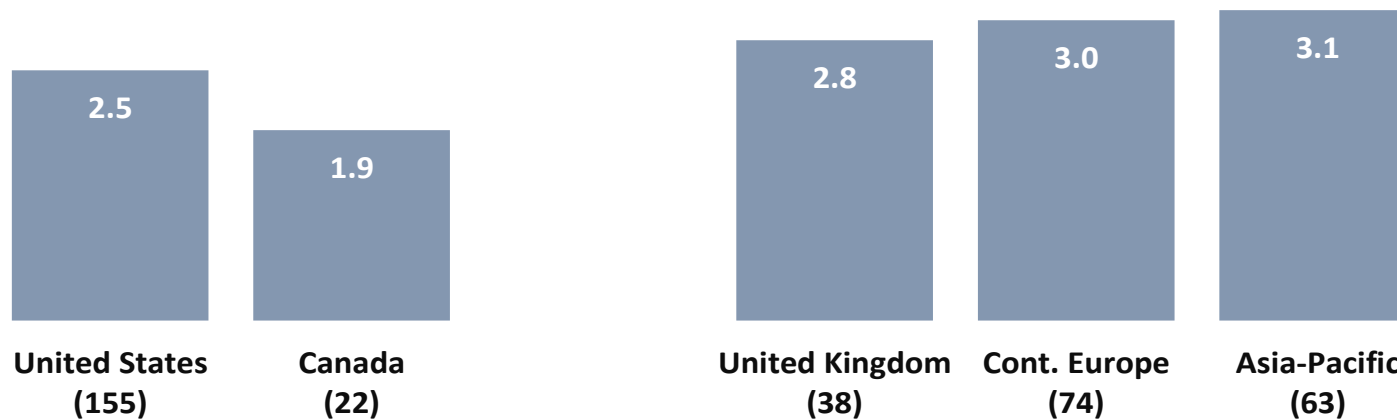
Notice the Buy-side's Decision Process



- Repeated interaction also typifies the buy-side - senior management relationship ...

Average Number of Times Investor Interacts with a Company's Top Management Before Decision Is Made to Include It in a Portfolio - *by Region*

(February 2015)



Investors follow **129** companies

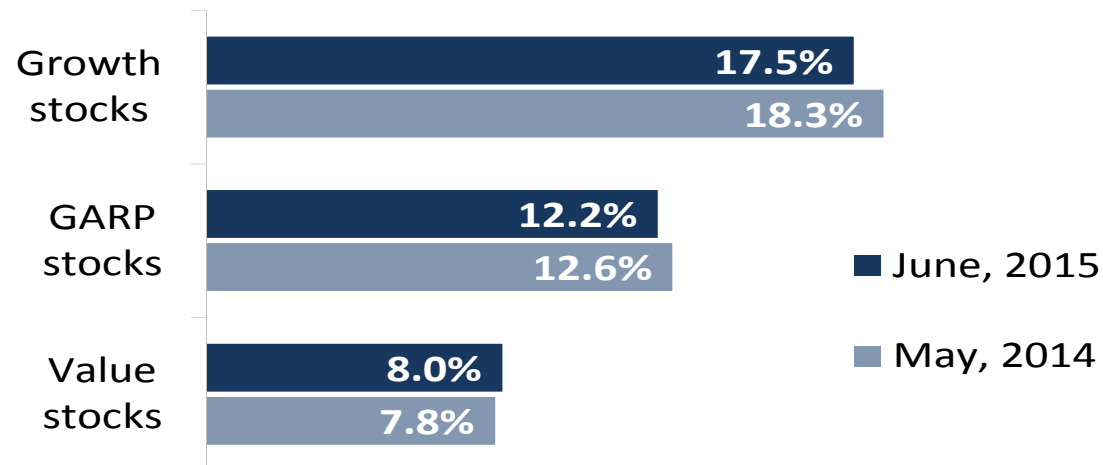
Monitor Performance Guidelines



- Revenue Growth: Signs of a slight pullback in growth expectations

Annual Revenue Growth Rate Considered Attractive

(Total Global Buy-side)



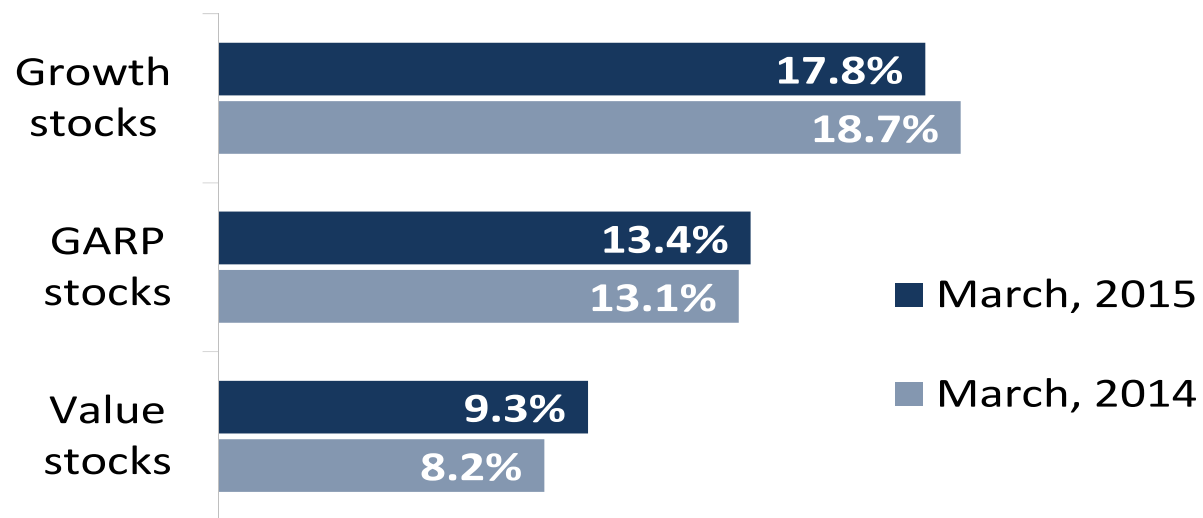
Monitor Performance Guidelines



- EPS Growth: Are investors becoming less demanding of growth stocks?

Annual EPS Growth Rate Considered Attractive

(Total Global Buy-side)



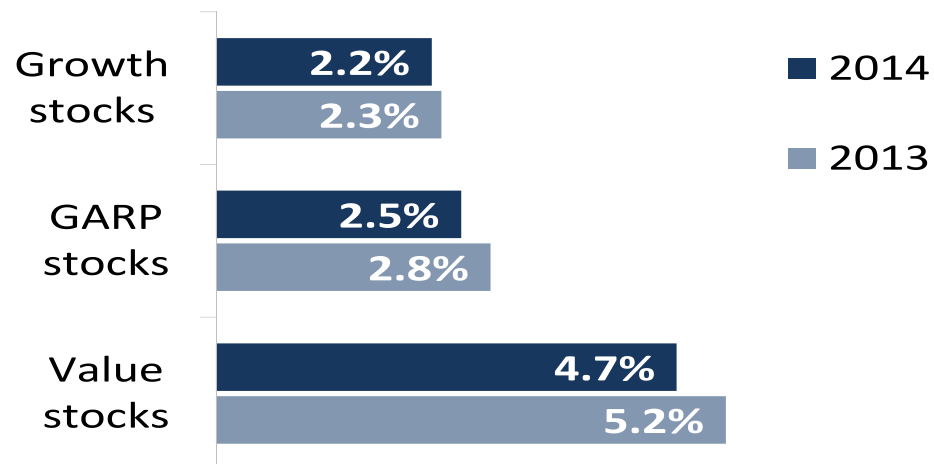
Monitor Performance Guidelines



- Dividend yield expectations: Also edging lower

Annual Dividend Yield Considered Attractive

(Total Global Buy-side)

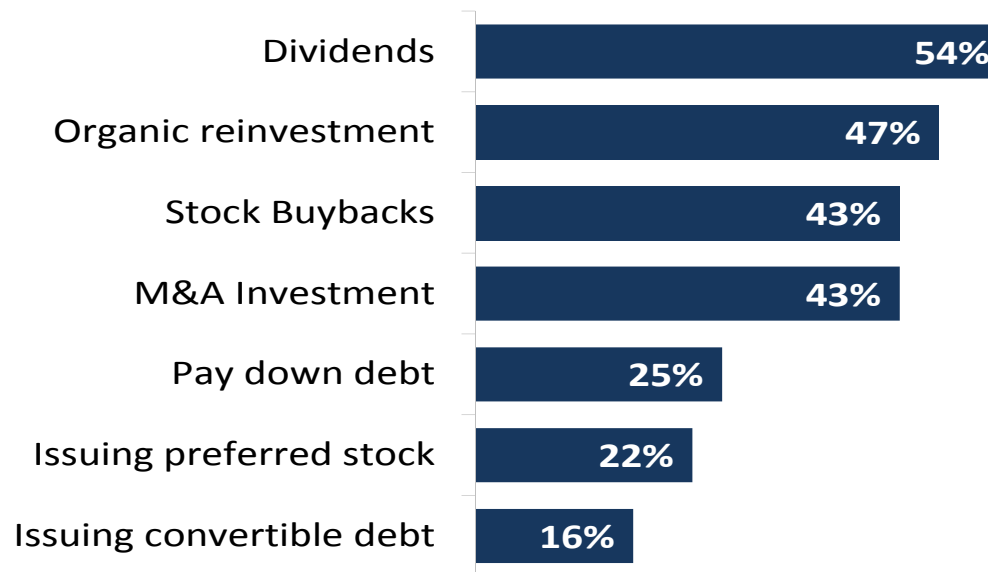


Focus on Capital Deployment



Preferred Capital Deployment Initiatives in 2015* (Aided)

(Among Total Global Buy-side February 2015, n=281)

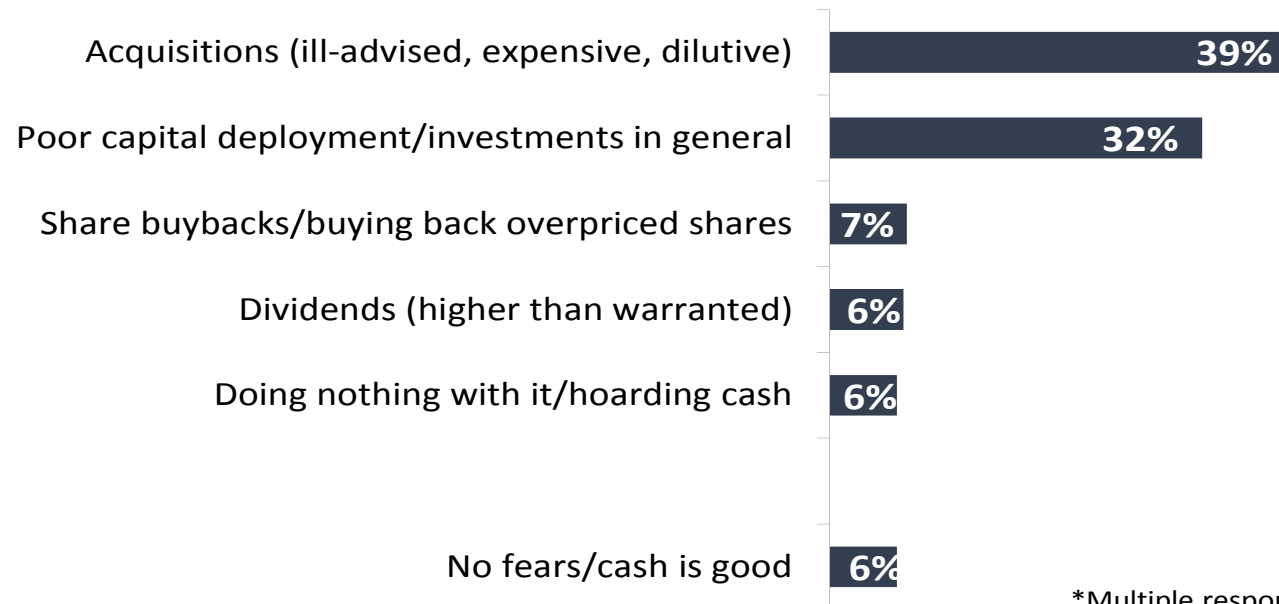


*Ratings of 8, 9, and 10 on 10-pt scale where 10=strongly support and 1=strongly oppose

Focus on Capital Deployment



Biggest Fears When Companies Have Too Much Cash on the Balance Sheet* (Unaided) (Among Total Global Buy-side February 2015, n=352)



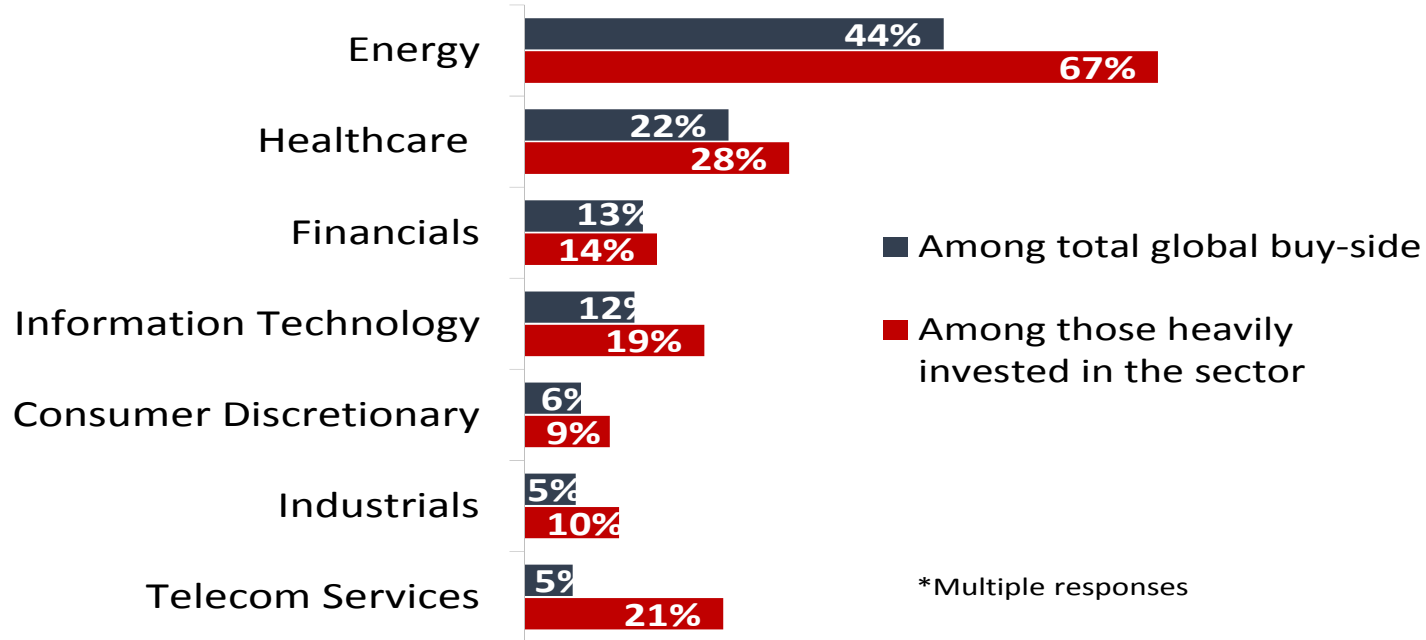
*Multiple responses

What is a “Major” Acquisition to the Global Buy-side? (August 2012)

When the acquired company is more than ... **29%** ...
the size of the acquiring company

Industries Expected to See the Most M&A Activity in 2015*

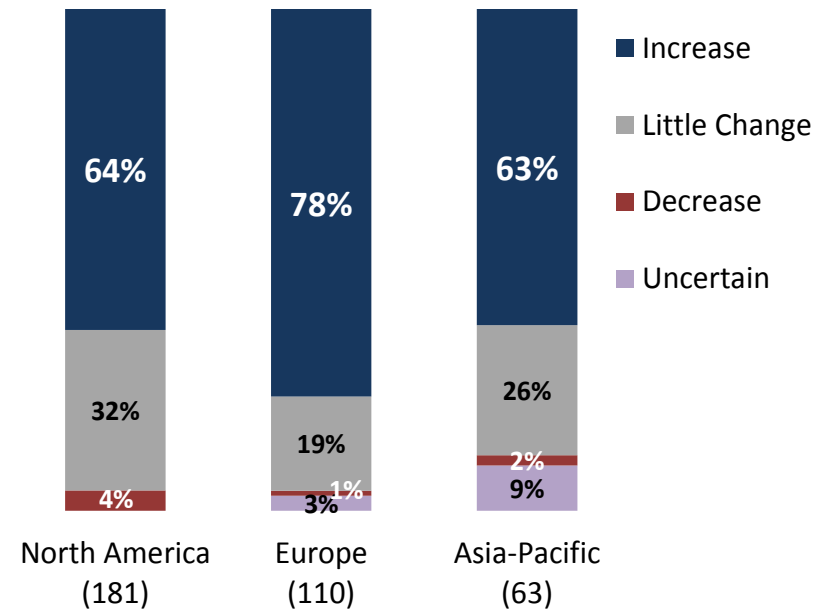
(Unaided - February 2015)



Near-Term Expectations for Shareholder Activism (May 2015)

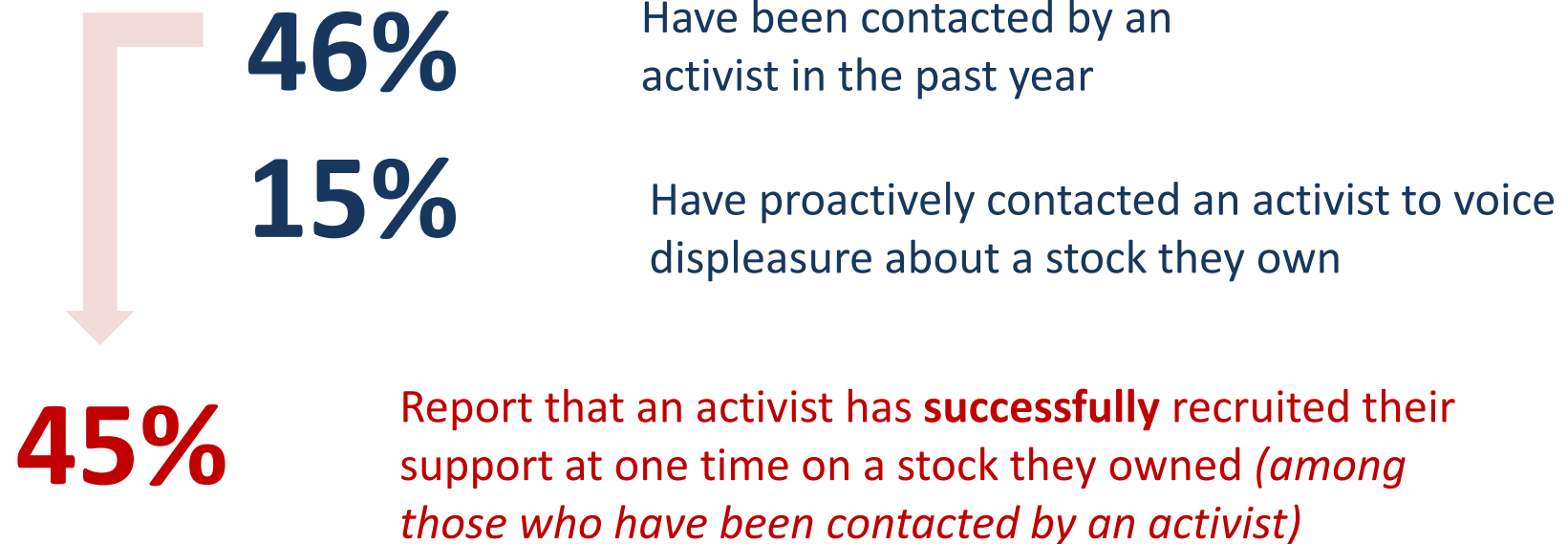


BY REGION



The Threat:

Among Global Buy-side (May 2015):

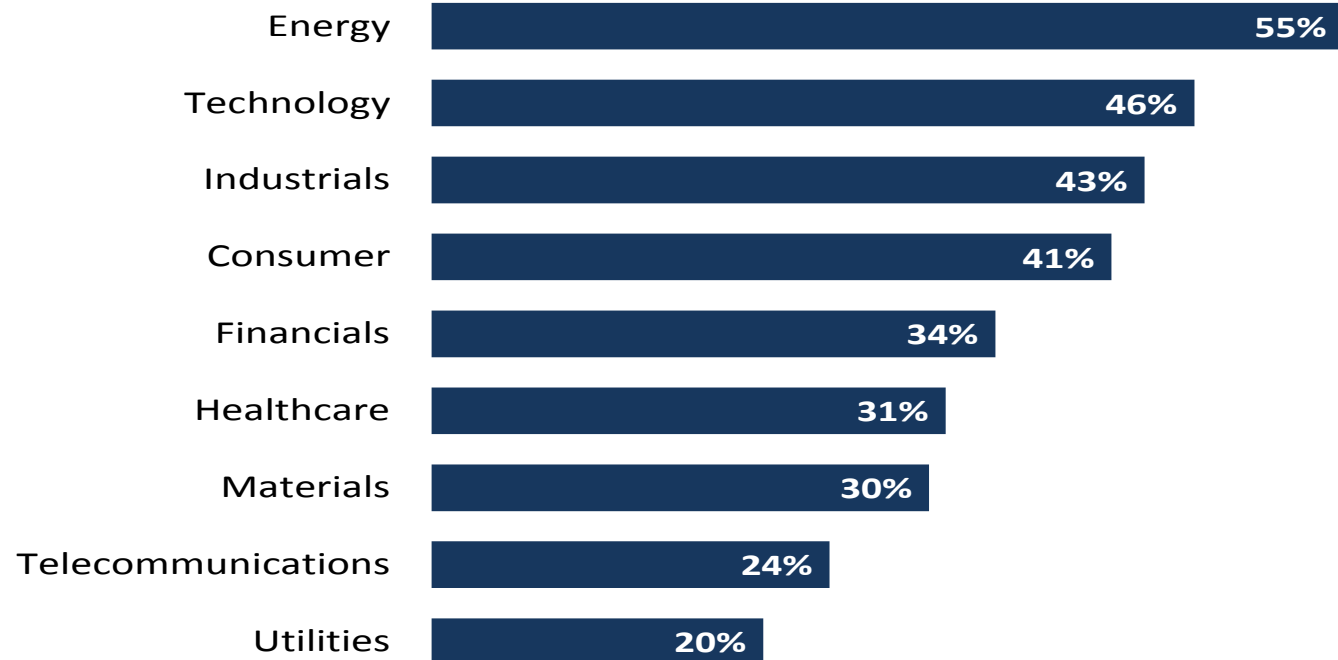


Keep a Sharp Eye on Activism



Sectors Expected to See the Most Activism (over Next Year or Two, May 2015)

(Among Global Buy-side, n=354)

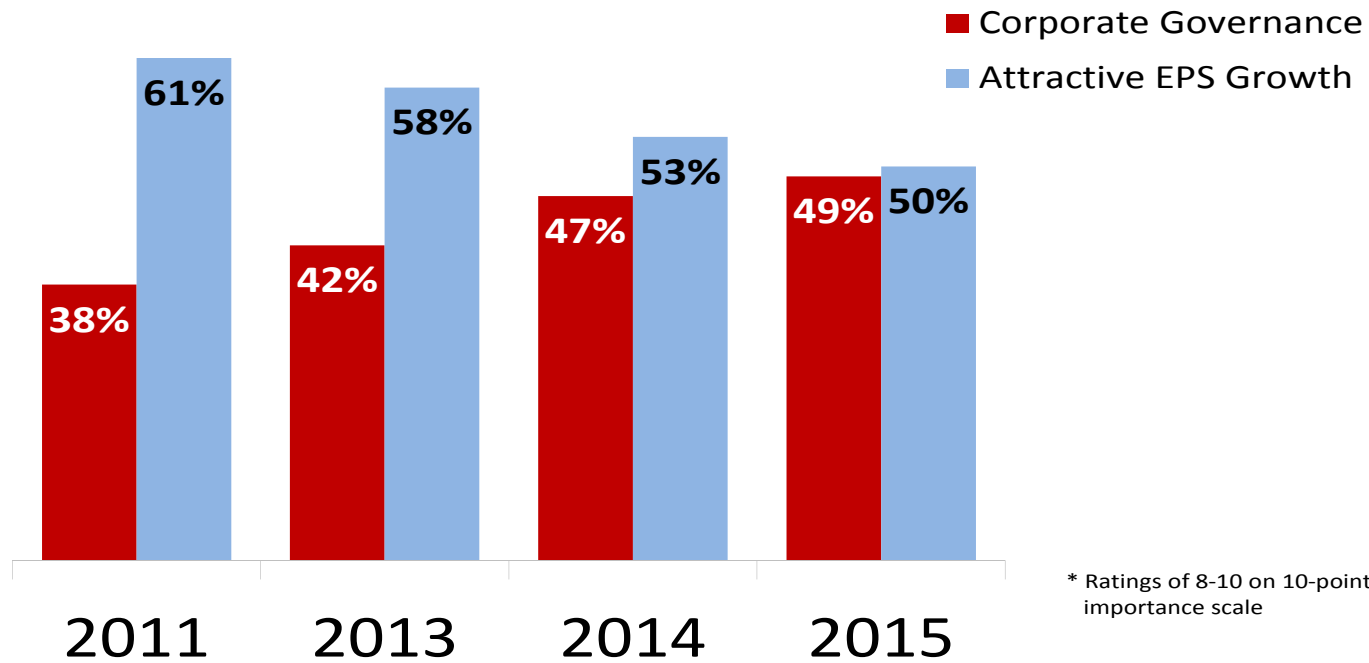


Global Buy-side Trends



EPS - Governance Convergence - Importance Scores over Time*

(Among Total Global Buy-side)



* Ratings of 8-10 on 10-point importance scale

Global Buy-side Trends



95% of Global buy-side says governance has played important role in stock purchase decision

35% says this happens “frequently”

96% of Global buy-side says governance has played important role in decision to sell a stock

27% says this happens “frequently”

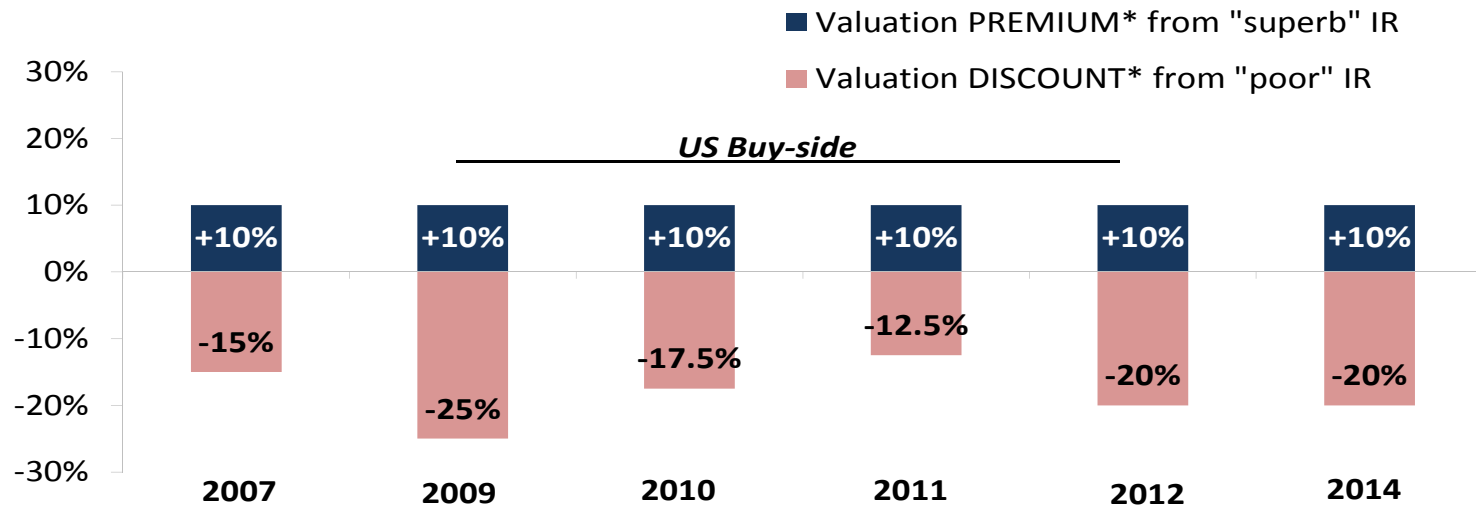
Board/Investor Engagement

- ▶ 50% of S&P 500 companies disclosed direct board engagement with shareholders. This is more than double the number of 2012.
- ▶ Activism is driving engagement. According to a recent NYSE report, 29% of directors (from a sample of 900) say their boards had interaction with an activist and held board-level conversations.
- ▶ “Say on Pay” continues to shift the goal posts of the conversation around compensation. Approximately 75% of board members report Say on Pay has resulted in increased dialogue with shareholders and has shifted the way they, and the company, communicate pay structures.

➤ **74%** of US buy-side believes good IR impacts valuation

Impact on Valuation of Superb versus Poor Investor Relations (Unaided)

(Among US respondents who believe IR affects a company's valuation)



* Median

What is Good IR?



Characteristics That Confer the Most Credibility to an IRO* (Aided)

(Total Global Buy-side August 2014, n=357)



*Multiple responses